

Message Text

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PAGE 01 TEHRAN 03286 062126Z
ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 OPIC-03 /129 W
-----022837 070840Z /65

R 060959Z APR 78
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 7726

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E.O. 11652: N/A
TAGS: BDIS, ENRG, IR
SUBJ: FLUOR CORPORATION ISFAHAN REFINERY CONTRACT
DISPUTE

REF: STATE 83482

1. EMBOFFS MET WITH FLUOR OFFICIALS JACK CINQUE AND NAD PETERSON AND CONSULTANT JULES JOSKOW APRIL 3 AND ARE MAINTAINING CONTACT CONCERNING FLUOR'S ATTEMPTS TO UNDERSTAND THE PLAN AND BUDGET ORGANIZATION'S (PBO) INDEXES FOR THE DETERMINATION OF LOCAL RIAL COSTS WHICH APPLY IN ITS CONTRACT WITH THE NIOC FOR THE ISFAHAN REFINERY. BASIC PROBLEM IS THAT FLYOR, BY ITS ADMISSION, ACCEPTED A NEW LOCAL COST DETERMINANT IN ITS 1974 CONTRACT (I.E. THE PBO INDEXES) WHICH NEITHER IT NOR NIOC UNDERSTOOD. EMBASSY WAS HERETOFORE UNAWARE OF PROBLEMS WITH PBO INDEXES BUT THIS UNDERSTANDABLE SINCE SIMILAR CONTACTS USUALLY ON COST/PLUS BASIS. PBO INDEXES EMPLOY COST DATA COLLECTED BY THE CENTRAL BANK OF IRAN (CBI) BUT PBO SELECTS ITEMS AND APPLIES ITS OWN WEIGHTS.

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2. FROM 15 MONTHS AGO AND UNTIL MID-MARCH TAPPAN/ANSARY MEETING (REFTEL), FLUOR'S DISCUSSIONS OF THIS CONCERN WERE ONLY WITH NIOC, BUT ANSARY ASKED PBO TO ASSIST FLUOR IN ITS ATTEMPT TO UNDERSTAND THE INDEXES. CINQUE, WHO WILL STAY HERE AT LEAST A MONTH ON PROBLEM, HAS GIVEN PBO SHEETS IT HAS AGREED TO COMPLETE WHICH CALL FOR DETAILS ON ALL INDEXES FOR ALL QUARTERS BACK

TO 1969/70 BASE. FLUOR SUSPECTS THAT INDEXES ARE IN-
APPROPRIATE TO FLUOR SUSPECTS THAT INDEXES ARE IN-
APPROPRIATE TO FLUOR'S LOCAL COSTS BY EMPLOYING WRONG
WEIGHTS AND LABOR SKILLS AND IN GENERAL BY WEIGHING
MATERIALS DISPROPORTIONATELY TO LABOR, WHICH IS FLUOR'S
MAJOR LOCAL COST. FLUOR IS ALSO IN CONTACT WITH THE
ITALIAN CONTRACTORS FOR NIOC TABRIZ REFINERY WHO ARE ALSO
CONTESTING RESULTS OF PBO INDEXES.

3. EMBASSY OBTAINED ADDITIONAL INFORMATION FROM CBI
DIRECTOR GENERAL OF STATISTICS FOR FLUOR AND PROVIDED
CONTACTS AND REFERENCES FOR POSSIBLE COMPARATIVE COST
INFORMATION. CINQUE SAID HE BELIEVES PBO IS COOPERATING
TO FULLEST POSSIBLE BUT EXPECTS NO EASY SOLUTION TO
DLS 70 MILLION NEGATIVE GAP BETWEEN PAYMENTS IT CALCULATES
IT WOULD RECEIVE FROM NIOC UNDER ESCALATOR BASES IN
PRIOR CONTRACTS AND THE PRESENT PBO INDEXES.

4. ADDITIONAL DETAILS ARE PROVIDED IN A MEMO-
RANDUM OF RECORD POUCHED APRIL 6 TO NEA/IRN
AND COMMERCE/CAGNE.
SULLIVAN

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NNN

Message Attributes

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Concepts: DISPUTES, CONTRACTS, REFINERIES
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